

ASX Release

27 March 2009

City Pacific Limited (CIY)

Financial result for half year ended 31 December 2008

City Pacific Limited (City Pacific or the Company) today announced a net loss of \$74.3 million for the half year ended 31 December 2008.

City Pacific's performance was severely impacted by the continuation of the global financial crisis which has seriously affected Australia's capital and property markets. These conditions have resulted in City Pacific recording net impairment losses of \$49.9 million for the half year.

In addition, as announced in March 2009, City Pacific settled a legal dispute which resulted in the Company recognising an additional, non-recurring expense of \$22 million for the half year.

The loss for the half year resulted in the Company having consolidated net assets of negative \$9.1 million at 31 December 2008.

Despite this deficiency, the Directors consider that the Company is in a position to continue as a going concern and rectify the net asset deficiency on the following basis:

- As advised in February 2009, City Pacific has negotiated 12 month extensions to its current finance facilities with its prime financier;
- City Pacific balance sheet does not reflect the value of its largest cash generating asset and core business activity, which is the right to act as Responsible Entity for City Pacific First Mortgage Fund;
- City Pacific holds the rights to undertake the development of the Townsville Ocean Terminal Project and has only recognised this asset at its cost to date of \$6 million, despite a current independent valuation of \$30 million for this right; and
- The majority of the net impairment losses recorded in the current and previous period represent contingencies for unrealised, estimated losses that could arise if City Pacific's properties were sold today. These valuations are based on the current state of Australia's property markets and may be reversed when normality returns to the economy.

In managing its course through the current volatile market conditions, City Pacific has significantly reduced operating overheads and continues its asset realisation program in order to reduce debt levels. City Pacific is also working to stabilise the City Pacific First Mortgage Fund (the Fund) in order for it to recommence the payment of distributions and redemptions to unitholders as soon as its cash position enables it to do so.

On the bases outlined above City Pacific is considering a variety of options to restructure its affairs and its debt position. This is being undertaken in order to redress the current balance sheet position.

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